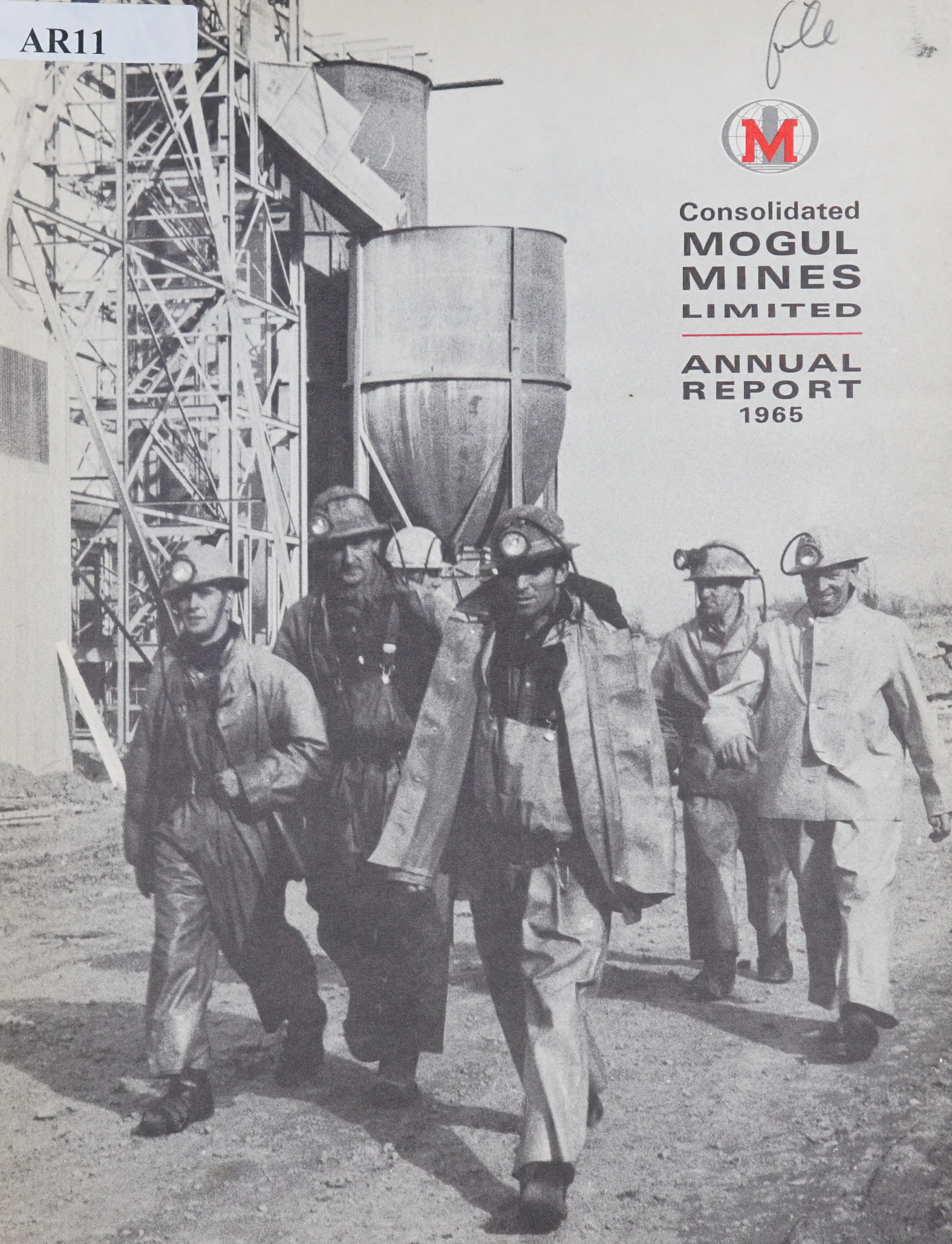


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Consolidated
**MOGUL
MINES**
LIMITED

**ANNUAL
REPORT**
1965

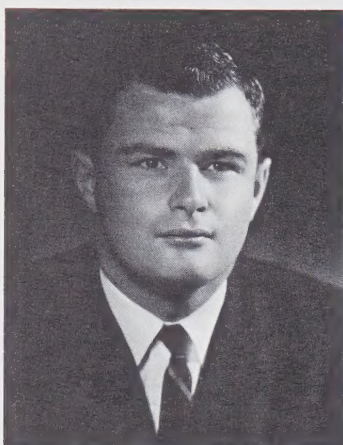


Consolidated MOGUL MINES Limited

(Incorporated under the laws of Ontario)

Officers	S. A. PERRY, F.C.I.S., <i>Chairman of the Board</i> D. W. KNIGHT, <i>President</i> G. D. PATTISON, C.A. <i>Executive Vice-President</i> R. D. BELL, C.A., <i>Secretary-Treasurer</i> W. E. ESSERY, C.A., <i>Asst. Secretary-Treasurer</i>
Directors	R. D. BELL, C.A., Toronto, Ont. CHARLES F. W. BURNS, King, Ont. LATHAM C. BURNS, B.A., Toronto, Ont. P. S. CROSS, B.A.SC., P.ENG., Toronto, Ont. D. W. KNIGHT, Toronto, Ont. G. D. PATTISON, C.A., Aurora, Ont. S. A. PERRY, F.C.I.S., Toronto, Ont.
Auditors	THORNE, MULHOLLAND, HOWSON & MCPHERSON Toronto, Ont.
Transfer Agent and Registrar	GUARANTY TRUST COMPANY OF CANADA Toronto, Ont.
Bankers	THE TORONTO-DOMINION BANK Toronto, Canada
Head Office	Suite 509, 25 Adelaide Street West Toronto, Ontario

COVER PHOTO catches a shift change
at the Mogul of Ireland property.
Part of the headframe structure is in
the background.



D. W. Knight
President.

PRESIDENT'S REPORT TO THE SHAREHOLDERS

It is a pleasure to submit the financial statement and report of your company's activities for the fiscal year ended December 31, 1965.

Your company is now engaged in a broad program of pre-production and exploration activity, directly and through subsidiary or affiliated companies in Ireland and Canada.

The lively tempo of this activity will accelerate in the months ahead, particularly in Ireland where drilling programs are scheduled for several promising properties, in addition to the natural buildup of construction to bring our Silvermines property into production by the end of 1967.

The diversified interests of your company, and the growth pattern charted by directors, have brought Consolidated Mogul to a stage where changes are required to update the company's general by-laws which have become outmoded.

These changes will be submitted for your consideration at the annual and general meeting, together with resolutions concerning a change in your company's name and an enlarged board of directors to be elected and to retire on a rotating basis to assure extended good management for your company.



PROGRESS IN IRELAND

In recent years, Ireland has become a mecca of mining activity by Canadian interests, and your company is one of the busiest through its 75%-owned subsidiary, Mogul of Ireland.

Some 225 contracting, engineering and company employees are at work on the Silvermines lead-zinc property, and their number will gradually rise to nearly 500 before the scheduled production startup at the end of 1967.

The Cementation Company is the major contractor on the service complex, which includes warehouse, offices, machine shop, head frame, shaft house, bin house, carpentry shop, mine dry, engineering offices and ancillary facilities. This project is proceeding on schedule and is expected to be completed in August. The bunkhouse, for single employees, and commissary are completed.

Kilborn Engineering Ltd. has been retained for design and construction management of the concentrator complex, with construction by John Paul & Co. Ltd. The site has been excavated, foundations started and orders placed for the major milling equipment from suppliers in Canada, England and continental Europe.

Shaft sinking is slightly behind schedule, but it is anticipated that the time lag will be made up in the near future.

Once in production, the mine will require approximately 1,000 gallons of water per minute. Two wells have already been drilled, yielding 400 gallons per minute each, and two more are to be started. All of our water needs will thus be filled from our own property sources.

Coras Iompair Eireann (C.I.E.), the State-owned transportation system, has acquired the land right of way and commenced work on a $\frac{3}{4}$ mile spur line which will enable it to bring a train of ore cars right to our mine concentrate storage facilities.

At full milling rate of 3,000 tons per day, the mine will produce approximately 700 tons of concentrates per day. This tonnage will be shuttled by low-cost rail directly from the property to our storage facilities at the Port of Foynes, 47 miles away on the Shannon estuary, and then loaded on ships for delivery to the smelters.

Activity related to readying our mine for production is by no means confined to the property itself. At the town of Nenagh, six miles away, the state housing authority is building 68 houses for use by our mine employees. Other residential units will likely be built in Nenagh to house the staffs of service and supply companies expected to be drawn to this town of 4,000 by the nearness of our mine.

Your company's staff townsite, consisting of 16 homes, has been completed and these homes are being occupied by senior personnel and their families.

At the Port of Foynes, contracts have been let for new pier facilities which can handle ships up to 18,000 tons capacity. Kilborn Engineering is designing the concentrate storage building with an initial capacity of 10,000 tons. Kilborn is also designing the ship loading facilities, which will have a loading rate of 500 tons of concentrate per hour. The C.I.E. will extend another spur line from its present line directly to the storage building.



While your company has arranged senior financing of \$21.5 million to put the mine into production, the estimated budget to which we are working is \$20.8 million. As at March 31, slightly more than 44% of this amount had already been committed, and costs on completed works are approximately 9% under estimates.

Inflationary pressures are not expected to have significant impact on this project, since the major construction and equipment considerations have been firmly resolved under contract.

The Mogul mine is being brought into production in anticipation of a profitable operation based on ore reserves in the G Zone alone. However, it should be noted that this zone is not delimited—it is open to the east and the west, as well as down dip to the north.

Our geologists report that a test hole drilled 4,000 feet to the north confirmed potential ore conditions similar to the G Zone.

Also, geological inferences and exploratory work in the area have enhanced the potential of the B and K zones, respectively 2,000 ft. and 4,000 ft. to the east of the G Zone.

Our geologists state it is quite possible that future drilling will add considerably to the indicated reserves of two million tons of approximately 10% combined lead and zinc in the B Zone and 600,000 tons of 6½% combined lead and zinc in the K Zone.

While there is no need to further explore these areas at this time, the potential, if realized, would add many more years of profitable operation to the Mogul mine.

METAL MARKETS

Once in production, the key to profitability of this mine will be the price of zinc as a reflection of demand. In a recent editorial, The Northern Miner noted a distinct undercurrent of buoyancy in the zinc industry, with demand in a healthy state and spectacular consumption strides made in some key areas. The editorial stated:

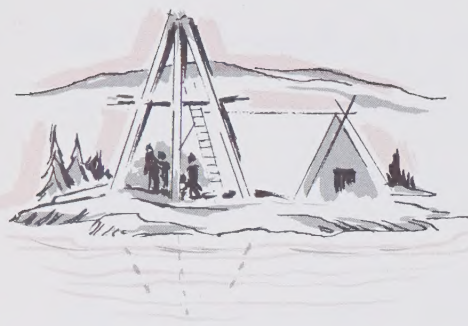
“During 1965, U.S. car makers used an average of 96 lbs. of zinc die castings per unit. This is the highest per-car zinc usage to date and represents a steady rise since 1955. Prospects for 1966 are rated excellent.

“During 1965, the U.S. automotive industry consumed a record tonnage of zinc for die castings—440,000 tons—a spectacular 20% jump over the 1964 figure.

“Automotive use of galvanized steel reached its highest level on record. Representing the largest and fastest growing new market for zinc, the automotive industry received 892,369 tons of galvanized sheet during 1965. This is a 21% increase compared with the 1964 figure.

“These are U.S. trends—statistics from Europe are sadly lacking—but the importance of U.S. consumption patterns cannot be rated highly enough. As the world’s largest market for zinc, developments there affecting the metal are of immense importance to the world industry as a whole.”





Zinc markets are important to the Mogul mine, since our ore reserves have a three to one ratio of zinc to lead.

EXPLORATION EXPANSION

The inherent news value of a mine in the making has over-shadowed a surging cross-country exploration program which could prove of great significance to the future of your company.

Directly and through affiliated companies or joint venture, your company is undertaking a most comprehensive exploration program, with rights to probably the largest total acreage of potential mining property in the country.

With the years of experience gained by our technical department in Irish geological conditions, and the availability of these skilled people now that the Mogul mine is in the construction stage, we have resumed work on partially-explored properties and acquired rights to promising new prospects.

The value of this combination of technical skill and property holdings might best be appreciated from the fact that major Canadian and international mining concerns have recently approached us with participation offers. Here is a brief review of current exploration activity:

Basin Explorations (Ireland) Syndicate, in which your company has a 50% interest with most of the balance held by affiliated companies has explored 22 prospecting licence areas during the past year. Geochemical surveys comprised of more than 40,000 samples have been completed on 18 of these licences. Results indicate anomalous areas on six, warranting detailed geochemical and geophysical surveys with a view to diamond drilling.

Consolidated Mogul on its own holds three licences of approximately 30 square miles in the Courtbrown area of the Shannon estuary. Earlier drilling here had intersected promising copper-lead-zinc mineralization, but was suspended in 1962 in favour of the Mogul of Ireland project. Your company now plans to resume work on this property.

Consolidated Mogul has a 75% interest in a joint exploration venture on a three-square mile property surrounding the old workings of a former lead-zinc-silver producer in the townland of Barrystown, County Wexford, in southeast Ireland.

Initial reconnaissance work had previously been done in 1963. Early this year, technical crews returned to do geochemical and geological investigation which resulted in a promising geochemical anomaly extending along 2,000 feet of strike length with a width of up to 800 ft. An initial 3,000 ft. of coring to test this anomaly has been recommended.

Irish Copper Mines Ltd., which is 60% controlled by your company, has a licence on a 19-sq. mile base metal property in the townland of Cloghatrida, Co. Limerick, where an anomaly was found through previous work in 1962 and 1963.

Company geologists believe that the potential of this property lies beneath the depth previously tested, and have recommended a deep drilling program. This will be commenced in the summer.



MAJOR INVESTMENTS

Several of the Canadian mining companies in which your company holds substantial interest appear destined for considerable growth. Chief among these is Canadian Dyno Mines Limited (60% owned by your company). Canadian Dyno is in a strong financial position, and has an 18% holding in New Quebec Raglan Mines Ltd.

New Quebec Raglan is a reorganization of Raglan Nickel Mines Ltd., following merger of its nickel-copper properties in Ungava, New Quebec, with properties owned by Falconbridge Nickel Mines Ltd.

The combined holdings comprise a total length of approximately 42 miles. At the west end (Cross Lake area) indicated ore reserves are 10,500,000 tons grading 1.55% nickel and 0.78% copper, while diamond drilling in the east end, after including a 15% dilution factor, indicated reserves of 3,210,000 tons grading 2.58% nickel and 0.5% copper. Preliminary drilling on the original Falconbridge holdings had indicated approximately 2,000,000 tons of somewhat better grade than in the Cross Lake area.

Falconbridge has a 54% interest in New Quebec Raglan, and is committed to a \$2 million exploration program on the combined group. The company recently announced that it will have five drills working this summer.

New Quebec Raglan is in a sound treasury position, having emerged with cash and investments of \$4.5 million in addition to the \$2 million exploration commitment by Falconbridge. Furthermore, the arrangement with Falconbridge stipulates that the first \$15 million of funds necessary to put the property into production will be borrowed rather than raised through dilution of shareholder equity.

Yale Lead & Zinc Mines Ltd. is currently drilling and conducting metallurgical tests on barite-fluorite deposits in Inverness Co., Cape Breton, where two million tons of ore have been indicated. The company is also conducting marketing studies as a preliminary step to production considerations.

McWatters Gold Mines, Ltd., with cash available for exploration work, is currently seeking promising properties.

M. E. M. Consultants Ltd., your company's wholly-owned subsidiary formed early in 1965 to offer consulting services to companies associated with Mogul as well as to non-related mining firms, enjoyed a successful first year.

In addition to the many activities and holdings outlined above, your company has preliminary studies under way on a number of other prospects and proposals. Should any of these reach a conclusive stage in the near future, they will be reported at the annual and general meeting.

On behalf of the board

Toronto, Ontario
May 25, 1966

D. W. KNIGHT
President

Consolidated MOGUL MINES Limited

(Incorporated under the laws of Ontario)

AND ITS CONSOLIDATED SUBSIDIARIES (note 1)

Consolidated Balance Sheet December 31, 1965

Assets

CURRENT ASSETS:

Cash and short-term bank deposit	758,219	
Project fund held by trustee (note 2)	2,587,904	
Accounts receivable	39,664	
Inventory of supplies (note 3)	123,281	
Prepaid expenses and deposits	<u>47,909</u>	3,556,977

INCOME TAXES RECOVERABLE (note 4) 125,000

INVESTMENTS (note 5):

Subsidiaries not consolidated (note 6)	1,577,779	
Mining and other companies (note 7):		
Shares	1,176,505	
Debentures	1,379,128	
Advances	<u>77,376</u>	<u>2,633,009</u>
		4,210,788

FIXED ASSETS:

In Ireland, Silvermines property:		
Mineral leases and rights (note 8)	1,805,747	
Land, buildings, plant and equipment,		
at cost	1,494,357	
Construction in progress	<u>670,494</u>	3,970,598
In Canada:		
Buildings and equipment, at cost less		
proceeds from disposals	<u>213,645</u>	4,184,243

MINING CLAIMS, RIGHTS, OPTION AND DEFERRED EXPLORATION
AND DEVELOPMENT THEREON (note 9) 943,203

DEFERRED CHARGES:

Preproduction expenditures in Ireland	1,384,633	
Discount on First Mortgage Bonds, Series A, and		
financing expenses (note 2)	<u>1,767,000</u>	3,151,633

EXCESS OF COST OF SHARES OF SUBSIDIARY, MOGUL OF IRELAND
LIMITED, OVER BOOK VALUE ON ACQUISITION (note 1) 83,841

\$16,255,685

Approved on behalf of the Board.

D. W. KNIGHT, *Director*.

R. D. BELL, *Director*.

The accompanying notes are an integral part of this statement.



Liabilities

CURRENT LIABILITIES:		
Accounts payable and accrued liabilities	907,795	
Loan payable	<u>57,521</u>	965,316
LONG-TERM LIABILITIES:		
7% First Mortgage Bonds, Series A, due September 1, 1975 (note 2)		7,000,000
MINORITY INTEREST IN MOGUL OF IRELAND LIMITED (note 1) . . .		376,875

Shareholders' Equity

CAPITAL STOCK (note 10):		
Authorized, 15,000,000 shares, par value \$1.00 each		
Issued, 7,509,246 shares	7,509,246	
CONTRIBUTED SURPLUS, less deficit	<u>404,248</u>	7,913,494

CONTINGENT LIABILITIES (note 11)

\$16,255,685

Auditors' Report

To the Shareholders of

CONSOLIDATED MOGUL MINES LIMITED:

We have examined the consolidated balance sheet of Consolidated Mogul Mines Limited and its consolidated subsidiaries as at December 31, 1965 and the consolidated statements of income, contributed surplus, deficit and preproduction expenditures for the year ended on that date. Our examination of the financial statements of Consolidated Mogul Mines Limited and of the consolidated subsidiary of which we are the auditors included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances. With respect to the subsidiary of which we are not the auditors, we have carried out such enquiries and examinations as we considered necessary in order to accept for purposes of consolidation the report of the other auditors.

In our opinion the accompanying consolidated balance sheet and related consolidated statements of income, contributed surplus, deficit and preproduction expenditures present fairly the combined financial position of the companies as at December 31, 1965 and the results of their combined operations for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada,
February 9, 1966.

THORNE, MULHOLLAND, HOWSON & MCPHERSON
Chartered Accountants

Consolidated MOGUL MINES Limited

AND ITS CONSOLIDATED SUBSIDIARIES

Consolidated Statement of Income

Year ended
December 31, 1965

INCOME:

Management fees	15,000	
Consulting fees	162,684	
Interest earned	<u>87,670</u>	265,354

EXPENSES:

Cost of consulting services	154,490	
Directors' fees	5,850	
Executive salaries and administration	56,027	
General exploration	31,813	
Interest	35,308	
Legal and audit	34,418	
Office salaries, supplies and rent	61,678	
Public relations and reports to shareholders	15,893	
Stock transfer and listing expenses	4,447	
Other	<u>5,819</u>	405,743

LOSS FOR YEAR		<u>\$140,389</u>
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Consolidated Statement of Contributed Surplus

Year ended
December 31, 1965

Contributed surplus at beginning of year	7,894,096
ADD Premium on shares issued during the year (note 10)	<u>613,100</u>
	8,507,196
DEDUCT Balance of deficit applied	<u>8,102,948</u>
CONTRIBUTED SURPLUS AT END OF YEAR	<u>\$ 404,248</u>



Consolidated Statements of Preproduction Expenditures

Year ended
December 31, 1965

	Balance at beginning of year	Expenditures during year	Balance at end of year
Directors' fees	1,750	7,839	9,589
Exploration and development	704,004	79,328	783,332
Metallurgical investigation	56,347	37,905	94,252
Mine planning	82,602	266,448	349,050
Major development	16,990	247,064	264,054
Mine office expenses and administration	73,281	168,041	241,322
	<u>\$934,974</u>	<u>\$806,625</u>	<u>1,741,599</u>
DEDUCT Expenditures under Silvermines option prior to the incorporation of Mogul of Ireland Limited, transferred to investment in Mogul of Ireland Limited			<u>356,966</u>
PREPRODUCTION EXPENDITURES IN IRELAND AT END OF YEAR			<u>\$1,384,633</u>

Consolidated Statement of Deficit

Year ended
December 31, 1965

Deficit at beginning of year		3,719,339
ADD:		
Loss for year		140,389
Cost of mining claims abandoned		590
Deferred charges relating to prior years, written off:		
General exploration	84,914	
Administration	<u>787,861</u>	872,775
Write-down of investments on revaluation (note 5)		3,183,407
Write-down of advances to mining and other companies		142,754
Tax withheld on inter company interest		<u>43,694</u>
		<u>4,383,609</u>
		8,102,948
DEDUCT Balance applied to contributed surplus		<u>8,102,948</u>
DEFICIT AT END OF YEAR		<u>Nil</u>

Consolidated MOGUL MINES Limited

AND ITS CONSOLIDATED SUBSIDIARIES

Notes to Consolidated Financial Statement

Year ended
December 31, 1965

1. Basis of Consolidation:

The accounts of two subsidiaries are consolidated in this financial statement, as follows:

Mogul of Ireland Limited:

In 1964 the company caused the incorporation of Mogul of Ireland Limited, under the laws of Ireland, for the purpose of acquiring the rights in and to and to operate the mining property at Silvermines, County Tipperary, Ireland, upon exercise of the option under the terms of an agreement dated October 8, 1962 with Silvermines Lead & Zinc Company Limited.

On November 29, 1965 the company fully exercised the said option, having fulfilled, among others, the following requirements:

- (a) Directed Silvermines to lease and or sub-lease to Mogul of Ireland, at the company's expense, all its rights in and to the mining property;
- (b) Caused to be delivered to Silvermines, free of cost, 25% of the authorized and issued capital stock of Mogul of Ireland. Consolidated Mogul retains a 75% interest in Mogul of Ireland.
- (c) Caused Mogul of Ireland to be provided with the necessary funds to bring the mining property into production (see note 2).

The investment in Mogul of Ireland Limited is carried in the books of the parent company as follows:

Exploration expenditure incurred on Silvermines property under terms of option, prior to incorporation of Mogul of Ireland Limited . . .	356,966
245,000 shares of parent company issued in connection with financing of Mogul of Ireland Limited valued at \$3.50 per share	857,500
	<u>\$1,214,466</u>

The value of the shares of Mogul of Ireland issued to its parent, according to the books of the subsidiary, is \$1,130,625. The cost to the parent company of its investment in Mogul of Ireland therefore exceeds book value by \$83,841.

The accounts of Mogul of Ireland Limited are recorded in Sterling. In the accompanying consolidated financial statement a conversion rate of \$3.015 to £1 has been used, except in those cases

where actual known dollar amounts are applicable to particular transactions.

M.E.M. Consultants Limited:

In 1965 this wholly-owned subsidiary was formed to carry out exploration programs, engineering, geological and other consulting services on behalf of other mining companies.

2. Financing of Mogul of Ireland Limited:

7% First Mortgage Bonds, Series A:

These bonds of Mogul of Ireland Limited mature September 1, 1975. Interest does not commence to accrue until March 1, 1968.

The bonds were issued accompanied by 245,000 shares of the capital stock of Consolidated Mogul Mines Limited, being at the rate of 35 such shares for each \$1,000 principal amount of bonds.

Proceeds from the issue of Series A bonds were \$5,433,000. The discount of \$1,567,000, together with financing expenses of the issue estimated at \$200,000, will be amortized over the remaining life of the bonds upon commencement of production, but dependent upon the rate of redemption.

The security for the bonds is as set out under "Additional financing" hereafter.

Project fund held by trustee:

Proceeds from the issue of the 7% First Mortgage Bonds, Series A, of Mogul of Ireland Limited were deposited with the trustee in a project fund. Expenditures in the aggregate of \$2,845,096 have been made to December 31, 1965 under the terms of the Trust Deed. The monies in this fund become available to the company from time to time upon presentation to the trustee of certificates of expenditures incurred on the development program of the Silvermines property.

The same provisions will apply to the proceeds from the Series B, Series C, and Series D bonds when issued.

As at December 31, 1965 Mogul of Ireland Limited had entered into firm commitments for capital expenditures amounting to approximately \$1,335,000, which will be payable out of the project fund.

Additional financing:

Additional financing has been arranged for Mogul of Ireland Limited which, together with the



proceeds from the Series A bonds already issued, is considered sufficient to provide for bringing the property at Silvermines into production. The additional financing consists of the following:

- (a) \$6,500,000, U.S. funds, principal amount of 6¾% First Mortgage Bonds, Series B, due September 1, 1973, to be purchased at par by certain European smelter companies.
- (b) \$1,000,000, U.S. funds, principal amount of 6¾% First Mortgage Bonds, Series C, due September 1, 1973, to be purchased at par (in Sterling) by a United Kingdom company.
- (c) \$6,500,000, U.S. funds, principal amount of 6¾% First Mortgage Bonds, Series D, due September 1, 1971, to be purchased at par by a United Kingdom bank. A standby fee of 1% per annum is payable by Mogul of Ireland computed from August 1, 1965 on the principal amount of Series D bonds authorized but not yet issued.

When the proceeds from the Series A bonds have been fully utilized, the above noted bonds are to be issued as funds are required.

All bonds are and will be secured by a first fixed and specific mortgage and charge on all the real and immovable property of Mogul of Ireland Limited and all buildings and fixed plant, machinery and equipment constructed or acquired by it as part of the development program of the Silvermines property, together with all monies and securities from time to time forming part of the project fund (see above) and all contracts entered into for the sale of concentrates; also by a first floating charge on the undertaking and all other property and assets of Mogul of Ireland, both present and future.

Mogul of Ireland is required under the terms of the Trust Deed securing the bonds to establish a fund for their retirement by paying to the trustee, on or before September 1 in each of the years 1969 to 1974 inclusive, an amount equal to its net cash flow from operations as defined in the Trust Deed. Notwithstanding the amount of the net cash flow available, Mogul of Ireland is required to have paid certain specific minimum amounts into the retirement fund on or before September 1 in each of the years 1971 to 1974 inclusive.

Advances to Mogul of Ireland Limited:

On November 29, 1965, upon issue of the First Mortgage Bonds, Series A, Mogul of Ireland repaid

all advances from Consolidated Mogul except for \$1,000,000, together with accrued interest up to that date. Tax of \$43,694 was withheld from the interest portion of this payment.

The remaining \$1,000,000 is represented by a 6% note payable by Mogul of Ireland to Consolidated Mogul. No payment on account of principal or interest on this note is to be made until all Series A, Series B, Series C and Series D First Mortgage Bonds have been retired.

3. Inventory of Supplies:

This item consists of the following:

Supplies at the Silvermines property in Ireland, at cost	\$123,280
Supplies at the Harvey Hill mine in Quebec, at nominal value	1
	<u>\$123,281</u>

4. Income Taxes Recoverable:

The company in 1964 deposited with the Receiver General of Canada \$125,000 in connection with income tax assessments totalling \$225,827 for the years 1957 to 1960 inclusive. The company's objections to these assessments have been upheld by decisions of the Tax Appeal Board and the Exchequer Court in 1965.

5. Investments:

Investments in shares have been revalued to the lower of cost less proceeds of disposals or market value based on quoted market values as at December 31, 1965. Shares without quoted market value are at cost less proceeds of disposals or at nominal value.

6. Subsidiaries Not Consolidated:

Investments in other subsidiaries not consolidated are as follows:

	Net book value	Quoted market value	Minority interest
Canadian			
Dyno Mines Limited	886,110	2,498,400	46%
Irish Copper Mines Limited	690,686	690,686	42%
Others	983		Various
	<u>\$1,577,779</u>	<u>\$3,189,086</u>	

Consolidated MOGUL MINES Limited

AND ITS CONSOLIDATED SUBSIDIARIES

Notes to Consolidated Financial Statement

Cont'd

Because of the substantial minority interest, it is not considered desirable to consolidate the accounts of these companies.

Because of the large blocks of shares held, the quoted market values for Canadian Dyno and Irish Copper are not necessarily indicative of amounts that might be realized if these investments were to be sold.

The company's share of earnings of Canadian Dyno for the year ended July 31, 1965 amounted to approximately \$14,400. Earnings of Canadian Dyno for the current and prior years attributable to the shares held by Consolidated Mogul aggregate approximately \$1,280,400.

The investment in Irish Copper has been written down, by an amount of \$2,334,892, to its quoted market value at December 31, 1965. Its subsidiary, St. Patrick's Copper Mines Limited, suspended operations in 1962, and remains in receivership.

Other subsidiaries are inactive, and their shares are without quoted market value.

Directors of the company received \$3,250 remuneration in 1965 in their capacity as directors of non-consolidated subsidiary companies.

7. Investments in Mining and Other Companies

Shares:

The quoted market value of these investments as at December 31, 1965 was approximately \$3,469,000, of which escrowed shares represented \$93,000 based on the quoted value of free shares.

Because in some instances large blocks of shares are held, market values are not necessarily indicative of amounts that might be realized if the investments were to be sold.

Debentures:

These consist of \$1,319,000 principal amount of Consolidated Halliwell Limited 6½% debentures, due May 31, 1970, having a book value of \$1,271,958 plus interest accrued to December 31, 1965 of \$107,170.

Book value consists of cost less proceeds from disposals to date. The debentures are without quoted market value because they are not actively traded, and their ultimate realizable value is dependent upon the success of Consolidated Halliwell's mining venture in Haiti.

By agreement between Consolidated Halliwell and its debentureholders, the latter have approved:

- (1) Postponement of the obligation to pay interest due December 1, 1964 until December 1, 1969, when it is to be paid with a premium of 10%.
- (2) Payment of interest accruing from December 1, 1964 at a fixed rate of 2%, with interest on overdue interest at the same rate, and payment of additional interest at 4½% which may be postponed, without interest thereon, to May 31, 1970.

8. Mineral Leases and Rights in Ireland:

Mineral rights to the Silvermines property have been acquired in various parcels either by outright purchase or by lease and sub-lease from the State or others. Certain of the leases and sub-leases call for the payment of royalties upon commencement of production.

9. Mining Claims, Rights, Option and Deferred Exploration and Development Thereon:

Mining claims, rights and option:

35 Claims (Harvey Hill mine) in Broughton and Leeds Township, Eastern Townships Area, Quebec, acquired for cash	\$ 96,740
1 Claim in Joutel Township, Quebec, acquired for 10,000 shares of the company's capital stock valued at \$9,000 and \$5,000 cash	14,000
187 Claims in the Lower Abitibi Lake Area, Larder Lake Mining Division, Ontario, held under working option acquired by a cash payment of . . .	28,559
A permit to explore and develop minerals on Abitibi Indian Reserve No. 70, Larder Lake Mining Division, Ontario, up to November 1, 1968	nil
4 Prospecting licences in the Counties of Galway and Limerick, Ireland	nil
21 Prospecting licenses in the Counties of Carlow, Kilkenny, Limerick, Tipperary and Waterford, Ireland, held by the Basin Exploration (Ireland) Syndicate. The company acquired a 50% interest in the syndicate by a cash payment of \$30,000 (see below)	nil
Carried forward.	\$139,299



Brought forward \$139,299
Deferred exploration and development expenditures thereon:

	Balance at begin- ning of year	Expenditure during year	Transferred to deficit	Balance at end of year
Harvey Hill mine	675,708	5,379		681,087
Joutel Township	324	140		464
Abitibi Indian Reserve	17,222	16,174		33,396
Ireland	58,957			58,957
Syndicate participation		30,000		30,000
General	84,914		84,914	
	<u>\$837,125</u>	<u>\$51,693</u>	<u>\$84,914</u>	<u>803,904</u>
<i>Cost of mining claims, rights, option and deferred exploration and development expenditures thereon</i>				<u><u>\$943,203</u></u>

10. Capital Stock:

Issued during year:

	No. of shares and par value	Premium	Total consideration
For cash, to an employee pursuant to option agreement	10,000	600	10,600
As a bonus to the purchaser of 7% First Mortgage Bonds, Series A, of Mogul of Ireland Limited	245,000	612,500	857,500
	<u>255,000</u>	<u>\$613,100</u>	<u>\$868,100</u>

The premium on shares issued, \$613,100 has been included in contributed surplus.

Options to employees:

The following options are outstanding to purchase shares of the company's capital stock:

- (1) To an employee, in respect of 20,000 shares at \$1.06 per share, exercisable 10,000 shares annually up to February 1, 1968.
- (2) To an employee of Mogul of Ireland Limited, in respect of 25,000 shares of Consolidated Mogul at \$4.00 per share, exercisable up to August 1, 1970.

11. Contingent Liabilities:

Guarantee of loan:

The company has guaranteed repayment to Canadian Dyno Mines Limited of a loan to St. Patrick's Copper Mines Limited of \$175,000 principal amount, and accrued interest thereon which at December 31, 1965 amounted to approximately \$52,500. St. Patrick's is in receivership and its indebtedness of \$175,000 is past due. To date no call has been made under the guarantee.

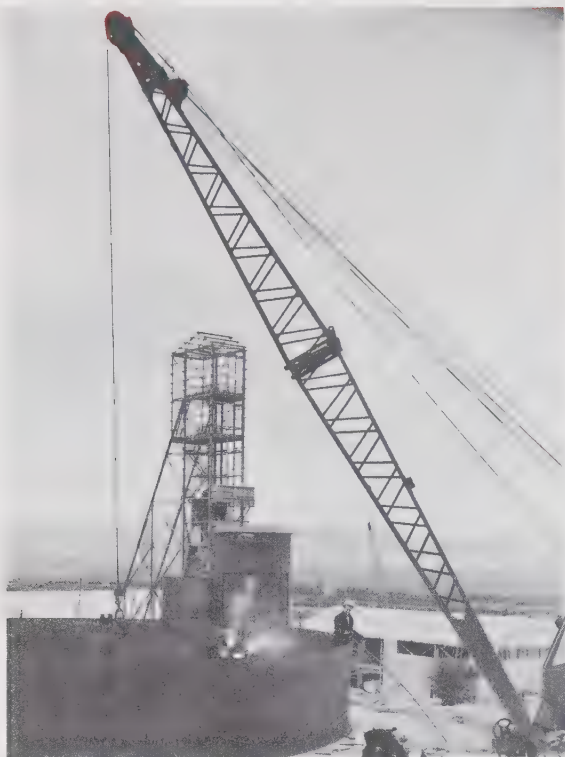
Guarantee of debentures:

The company has guaranteed payment to certain other mining companies of \$1,148,000 principal amount of Consolidated Halliwell Limited 6½% debentures held by them and unpaid interest thereon at May 31, 1970, the date of maturity. Accrued interest on these debentures at December 31, 1965 amounts to approximately \$117,600.

Other Guarantee:

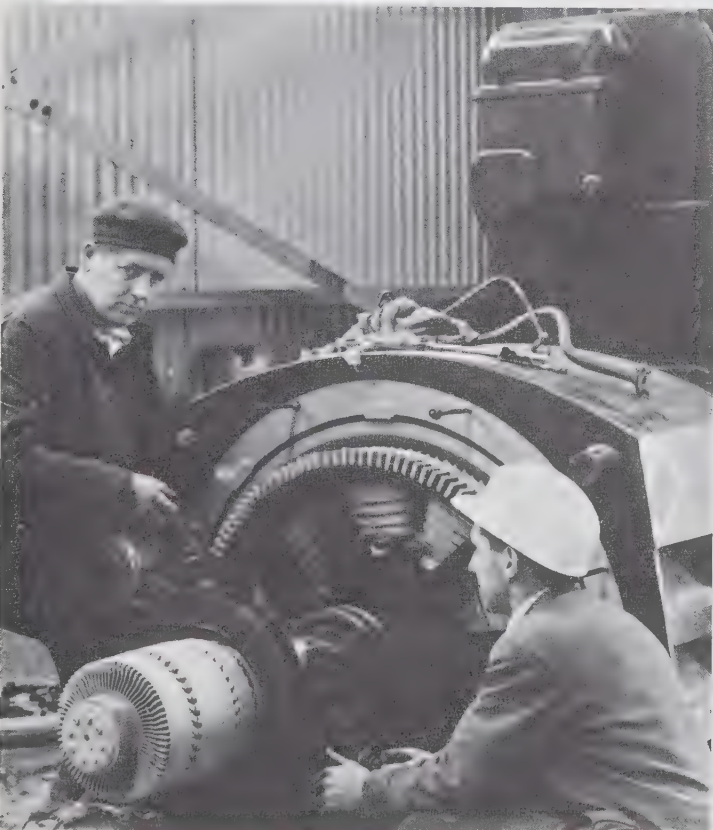
Pursuant to the option agreement dated October 8, 1962 with Silvermines Lead & Zinc Company Limited, the company has agreed to pay to Silvermines 25% of any excess of the effective rate of interest paid by Mogul of Ireland to bring the mining property into production over 8% per annum. The effective rate is to be calculated upon redemption of all First Mortgage Bonds and the promissory note (note 2).

A Photo Report on the progress and people at the Mogul of Ireland Development, February-March 1966



Mogul of Ireland's operating staff core is now well established and the employee force will gradually rise toward production start time. The group photo (lower right) shows a staff conference with, from

left, mine manager S. A. J. Hopper, G. H. Hunkin, P. G. Hilliard, A. J. Law, D. O'Connor, A. J. Ryan and J. Gordon-Smith. Mogul of Ireland employee force, including staff, is now approximately 40.



Surface plant construction is shown in these views from the Mogul of Ireland property. The structures rise amidst rolling farmlands of County Tipperary. Work has started on the 3,000 tons per day

concentrator, while other ancillary buildings, including office, shops and warehouse are well advanced. Headframe structure is completed



Development continues at a steady rate at the Mogul of Ireland property. Two views on this page show work in the shaft and shaft sinkers at surface level. Shaft is this month down to depth of ap-

proximately 450 feet. First and second level stations have been cut and, at end April, work is under way on the third level station.



Part of the Mogul of Ireland community in Nenagh where (lower photo) Knight Crescent has 16 homes for families of mine staff men. Housing will be available in Nenagh also for hourly-rated employees

as this part of the work force grows. Centre (right) photo is a scene from downtown Nenagh; photo at centre left was taken in the kitchen of the mine commissary. Upper photos are also of staff homes.



Consolidated
**MOGUL
MINES
LIMITED**

**ANNUAL
REPORT**
1965

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CONSOLIDATED MOGUL MINES LIMITED REPORT TO THE SHAREHOLDERS

December 23, 1965

Including Financial Statements
for the seven months' period ended
July 31, 1965 and for the fiscal
year ended December 31, 1964



Consolidated Mogul Mines Limited

(Incorporated under the laws of Ontario)

Officers

S. A. PERRY, *President*
D. W. KNIGHT, *Vice-President*
G. D. PATTISON, *Secretary-Treasurer*
R. D. BELL, *Asst. Secretary-Treasurer*

Directors

R. D. BELL, Toronto, Ont.
CHARLES F. W. BURNS, King, Ont.
LATHAM C. BURNS, Toronto, Ont.
P. S. CROSS, Toronto, Ont.
D. W. KNIGHT, Toronto, Ont.
G. D. PATTISON, Aurora, Ont.
S. A. PERRY, Toronto, Ont.

Auditors

THORNE, MULHOLLAND, HOWSON & MCPHERSON
Toronto, Ont.

Transfer Agent and Registrar

GUARANTY TRUST COMPANY OF CANADA
Toronto, Ont.

Bankers

THE TORONTO-DOMINION BANK
Toronto, Canada

Head Office

Suite 509
25 Adelaide Street West
Toronto, Ontario

Consolidated Mogul Mines Limited

(Incorporated under the laws of Ontario)

Directors' Report

TO THE SHAREHOLDERS:

This report, covering recent significant developments in the affairs of your company and including financial statements for the seven-month period ended July 31, 1965, and for the fiscal year ended December 31, 1964, is accompanied by a notice of the annual and a general meeting of shareholders.

The general meeting is called, specifically, to vote on a special resolution providing for creation of the office of Chairman of the Board.

At the same time, however, the report and meeting are first opportunities for directors to contact shareholders since the successful conclusion of senior financing for the Silvermines project in Ireland.

Your directors believe that your company and its 75 per cent owned subsidiary, Mogul of Ireland Limited, are ably backed by viable resources of administrative talent, technical staff and consulting assistance to fully implement the mine development and construction program.

This program is now underway. Here are the salient features of the Silvermines project:

MOGUL OF IRELAND

Financing

Arrangements to raise approximately \$21.5 million in senior financing have been concluded on behalf of Mogul of Ireland Limited. Source of these capital funds is comprised of: \$1 million subordinated loan from Consolidated Mogul Mines Limited; \$5.4 million from sale of Series A bonds to Burns Bros. and Denton Limited the company's fiscal agents;

\$7 million from sale of Series B bonds to European smelting firms; \$1.1 million from sale of Series C bonds to Tennant Securities Limited; \$7 million from sale of Series D bonds to Midland and International Banks Limited, associated with The Toronto-Dominion Bank which is the banker for Consolidated Mogul Mines Ltd. Adequate funds are thus assured to meet the costs, estimated at \$20.8 million, of bringing the Silvermines property into production.

Mine and plant

Mine preparation involves development of an underground mine capable of production rate of 4,200 short tons per mining day—equivalent to 3,000 short tons per milling day or approximately 1,000,000 tons per year. A vertical, six-compartment shaft will be sunk to a depth of 1,100 feet with five levels established to develop and mine the upper and lower sections of the "G" ore zones. A crusher station will be located below the bottom working level of the shaft. It is planned to have sufficient stopes fully developed in the higher grade centre area of the upper zone prior to production start, which is scheduled for January, 1968.

Concentrating plant and ancillary facilities will have a capacity to treat 3,000 short tons of ore on a 24-hour day operation. Electricity will be supplied by the State-owned utility; water will be obtained from wells drilled on the property.

The State-owned railway will construct a spur line to provide for direct rail access from the property to Port of Foynes, 47 miles away, where concentrates will be shipped. A storage

Consolidated Mogul Mines Limited

(Incorporated under the laws of Ontario)

Directors' Report Continued

shed will be built at Foynes and negotiations are under way for erection of a new pier to handle ships of 10,000 tons.

Markets

Mogul of Ireland Limited has negotiated contracts with Erzgesellschaft m.b.H., of Frankfurt, Bergmetall G.m.b.H., of Bad Hamburg, and Société Minière et Métallurgique de Penarroya, S.A., of Paris, providing for the sale of all concentrates from the mine. Contracts are for a term of five years or until all first mortgage bonds issued by Mogul of Ireland are retired, whichever is the longer. Price to be paid for lead concentrates is based on prevailing metal quotations on the London Metal Exchange and for zinc concentrates on the prevailing G.O.B. producer prices at time of delivery, both payable in U.S. dollars. Tennant Trading Limited, London metal brokers, are sales agents for Mogul of Ireland.

Estimated Cash Flow

Estimates by James, Buffam, & Cooper, Consulting Geologists, show that on the basis of metal prices in effect on the London Metal Exchange on June 1, 1965, Mogul of Ireland may realize a cash flow of \$56.1 million during the eight-year period commencing January, 1968.

During the first four years of production, a variation of one cent in the price of zinc would increase or decrease gross returns from sale of concentrates by approximately \$1.4 million per annum; a similar variation in the price of lead would increase or decrease annual returns by approximately \$365,000. The cash flow estimate is prepared on the basis of production

costs of \$5.50 per ton of ore milled (all years other than 1968) and transport costs of \$7.27 per short dry ton of concentrates.

Taxation

Mogul of Ireland is exempt from corporation profits tax and income tax for the first four years of production and liable to only half tax for the next four years. Exploration, development and capital costs can be charged against profits over the estimated life of the mine, or 20 years, whichever is the shorter period.

Reserves and exploration

According to the report dated June 1, 1965, by James, Buffam & Cooper, present ore reserves in the upper and lower zones, after providing for dilution, are as follows: Upper zone—6,373,000 tons grading 10.10 per cent zinc, 2.75 per cent lead and 0.85 oz. silver in the high grade section, 3,882,000 tons grading 5.35 per cent zinc, 1.69 per cent lead and 0.60 oz. silver in the lower grade section; Lower zone—1,725,000 tons grading 3.11 per cent zinc, 3.98 per cent lead and 1.10 oz. silver. These reserves are contained in Silvermines' "G" Zone. Work on the "B" zone, 2,000 feet east of the "G" zone, has indicated a potential tonnage of approximately two million tons comparable in grade to the upper "G" zone. Exploration on the "B" zone has been discontinued for the present, in favour of mine development of the "G" zone. In addition, limited drilling to the north of the "G" zone has indicated a potential down-dip extension of the main ore body.

Your directors are pleased to report that work is advancing on the Silvermines property



on schedule. The 125-foot steel headframe is now being closed in and shaft sinking is under-way. Target depth is scheduled to be reached by early summer of 1966, to be immediately followed by commencement of lateral develop-ment work.

Tenders are now out for concentrator con-struction which is to begin early in 1966. Surface plant buildings are under way and most of the ancillary facilities will be completed by around mid-1966. There are at present ap-proximately 150 men working on the property, including contractors. Total work force during the construction period will gradually increase to approximately 500.

EXPLORATION ACTIVITIES

Your company continues to direct a wide-ranging exploration program on behalf of itself and in association with affiliated com-panies. The re-payment, since July 31, 1965, of funds advanced by Consolidated Mogul for initial development work at the Silvermines project has further strengthened your com-pany's financial capability for new work.

In Ireland, Consolidated Mogul has 50 per cent interest in Basin Explorations, a syndicate which includes five other Mogul-associated companies. Twenty-one licences are held by Basin in southwest Ireland, with 13 of these having been covered by geochemical recon-naissance surveys. Five licences are presently scheduled for more intensive surveys.

Also in Ireland, diamond drilling targets have been spotted on a licence area in the southeast in which Consolidated Mogul has 75 per cent interest. Explorations plans are

pending on four other licences held by your company in Galway and Limerick counties.

In Northern Ontario, in the Matheson area, exploration including diamond drilling is planned for next season. Holdings in this area have been reduced to 6,000 acres where several promising base and precious metal prospects are located.

Consolidated Mogul's affiliated companies, including Canadian Dyno Mines Limited, Raglan Nickel Mines Limited, Irish Copper Mines Limited, McWatters Gold Mines Limi-ted and Yale Lead & Zinc Mines Limited, are all active in a number of exploration ven-tures.

GENERAL

The year 1965 has been a period of gratifying progress for your company. As noted in the previous annual report, however, much credit for the success must be attributed to the former President of your company, Mr. H. W. Knight, Jr., whose death early this year was greatly regretted by the Canadian mining and financial community.

On behalf of the Board of Directors,

S. A. PERRY
President

Toronto, Ontario, December 23, 1965

Consolidated Mogul Mines Limited

(Incorporated under the laws of Ontario)

Balance Sheet July 31, 1965

Assets

CURRENT ASSETS:

Accounts receivable and accrued interest	21,274	
Prepaid expenses	6,049	
Inventory of supplies, at nominal value	1	27,324
INCOME TAXES RECOVERABLE (Note 1)		125,000
INVESTMENTS (Note 2):		
Mining and other companies:		
Shares	1,694,399	
Debentures	1,354,396	
Advances	208,075	3,256,870
Subsidiary companies:		
Mogul of Ireland Limited	2,812,602	
Others	4,080,589	6,893,191
BUILDINGS AND EQUIPMENT, at cost, less proceeds of disposals		205,077
MINING CLAIMS, at cost (Note 3)		111,330
DEFERRED CHARGES:		
Exploration and development	861,095	
Syndicate participation	30,000	
Administration	787,438	1,678,533
		<u>\$12,297,325</u>

Liabilities

CURRENT LIABILITIES:

Bank advances, secured by pledge of certain investments	811,291	
Accounts payable and accrued liabilities	52,270	
Loan payable and accrued interest	57,521	921,082
CONTINGENT LIABILITIES (Note 4)		

Shareholders' Equity

CAPITAL STOCK (Note 5):

Authorized—15,000,000 shares, par value \$1.00 each		
Issued — 7,264,246 shares	7,264,246	
CONTRIBUTED SURPLUS	7,894,696	
	<u>15,158,942</u>	
DEFICIT	3,782,699	11,376,243
		<u>\$12,297,325</u>

Approved on behalf of the Board.

D. W. KNIGHT, *Director*. G. D. PATTISON, *Director*.

The accompanying notes are an integral part of this statement.

Auditors' Report

To the Directors of

CONSOLIDATED MOGUL MINES LIMITED:

We have examined the balance sheet of Consolidated Mogul Mines Limited as at July 31, 1965 and the statements of income, contributed surplus, deficit and deferred exploration and development for the seven months ended on that date. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion the accompanying balance sheet and related statements of income, contributed surplus, deficit and deferred exploration and development present fairly the financial position of the company as at July 31, 1965 and the results of its operations for the period ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada,
September 28, 1965.

THORNE, MULHOLLAND, HOWSON & MCPHERSON,
Chartered Accountants.



Statement of Income

Seven months
ended July 31,
1965

INCOME:

Income from investments	112,740	
Management fees	8,750	121,490

EXPENSES:

Consultants' fees	12,574	
Directors' fees	2,350	
Executive salaries and administration fee	30,777	
Interest	8,235	
Legal and audit	4,296	
Office salaries, supplies and rent	35,958	
Public relations and reports to shareholders	10,925	
Stock transfer and listing expenses	1,635	
General administration	2,091	108,841

NET INCOME FOR PERIOD		\$ 12,649
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Statement of Contributed Surplus

Seven months
ended July 31,
1965

Contributed surplus at beginning of period	7,894,096
Premium on shares issued during period	600
CONTRIBUTED SURPLUS AT END OF PERIOD	\$7,894,696

Statement of Deficit

Seven months
ended July 31,
1965

Deficit at beginning of period	3,719,339
ADD Adjustment on disposal of investments	99,000
	3,818,339

DEDUCT:

Net income for period	12,649	
Adjustment of interest earned in a prior year	22,991	35,640

DEFICIT AT END OF PERIOD		\$3,782,699
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Consolidated Mogul Mines Limited

(Incorporated under the laws of Ontario)

Statement of Deferred Exploration and Development

Seven months
ended July 31,
1965

HARVEY HILL MINE:

Balance at beginning of period	675,708	
Expenditures:		
Insurance	346	
Licenses	1,336	
Watchman's wages and maintenance expenses	1,743	
Workmen's compensation	63	3,488
		<u>679,196</u>

SILVERMINES OPTION:

Balance at beginning of period	356,966	
LESS Amount transferred to investment in Mogul of Ireland Limited	356,966	—

GENERAL:

Balance at beginning of period	161,418	
Expenditures:		
Consulting fees and expenses	9,025	
Engineering and drafting services	5,435	
Insurance	811	
Supervision and wages	3,514	
Transportation	810	
General expenses	886	20,481
		<u>181,899</u>

EXPLORATION AND DEVELOPMENT ON MINING CLAIMS IN GOOD STANDING		<u>\$ 861,095</u>
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Consolidated Mogul Mines Limited

(Incorporated under the laws of Ontario)

Notes to Financial Statement

Seven months ended July 31, 1965

1. Income Taxes Recoverable:

The company's objections to assessments totalling \$225,827 for the years 1957 to 1960 inclusive were upheld by a decision of the Tax Appeal Board dated February 9, 1965. The Minister of National Revenue has appealed this decision to the Exchequer Court and the recoverability of the deposit of \$125,000 held by the Receiver General of Canada in connection therewith depends on the results of this appeal.

2. Investments:

MINING AND OTHER COMPANIES,

Valuation of shares:

Shares of mining and other companies consist of both escrowed and free securities, and are recorded at cost less proceeds of disposals or at written down value. Based on the quoted value of free securities, these shares had a combined value at July 31, 1965 of \$2,445,902 of which free securities represented \$2,346,216.

Because in some instances large blocks of shares are involved, market values are not necessarily indicative of amounts that might be realized if the investments were to be sold.

Valuation of debentures:

These consist of \$1,319,000 principal amount of Consolidated Halliwell Limited of 6½% debentures, due May 31, 1970, having a book value of \$1,271,958 and interest accrued to July 31, 1965 of \$82,438.

Book value consists of cost less proceeds of disposal. These debentures are without quoted market value because they are not actively traded and their ultimate realizable value is dependent upon the success of the company's mining venture in Haiti.

By agreement dated December 17, 1964 between Consolidated Halliwell Limited and the debenture-holders, the latter have approved:

- (1) postponement of the obligation to pay the interest due December 1, 1964 until December 1, 1969, and then at a premium of 10%.
- (2) payment of interest accruing from December 1, 1964 at a fixed rate of 2% with interest on overdue interest at the same rate, and payment of additional interest at 4½% which may be postponed, without interest thereon, to May 31, 1970.
- (3) extension of maturity date of the debentures from May 31, 1965 to May 31, 1970.

Mogul of Ireland Limited:

By an agreement dated October 8, 1962 made between the company and Silvermines Lead & Zinc Company Limited, the company obtained the right and option to explore mining property in

County Tipperary, Republic of Ireland, held by Silvermines.

To fully exercise the option the company will undertake to complete the following on or before December 14, 1965:

- (a) direct Silvermines to lease and/or sub-lease to a new company to be incorporated under the laws of Ireland (the operating company) at the expense of the company, all its rights in and to the mining property;
- (b) cause to be delivered to Silvermines free of cost, 25% of the total number of shares of the operating company that shall from time to time be allotted and issued;
- (c) cause the operating company to be provided with the necessary funds through such means as the company shall elect (and in accordance with good financial practice) to bring the mining property into production.

On March 5, 1964, the company caused the incorporation of Mogul of Ireland Limited (the operating company) as a private company under the laws of Ireland for the purpose of acquiring the rights in and to and to operate the mining property upon the full exercise of the option.

As at July 31, 1965, the company's investment in Mogul of Ireland Limited of \$2,812,602 comprises expenditures of \$356,966 incurred on the Silvermines property prior to incorporation of Mogul of Ireland and subsequent advance of \$2,455,636 for development work and capital costs in connection with the mining operation. These advances include accrued interest at 6% per annum.

Other Subsidiary Companies:

Investments in other subsidiaries are as follows:

	Net book value	Market value	Minority interest
Canadian Dyno Mines Limited.	859,206	2,301,454	46%
Irish Copper Mines Limited.	3,025,578	782,777	42%
M.E.M. Consultants Limited. . .	20,000		
Others, including advances of \$9,405	175,805		42%
	<u>\$4,080,589</u>	<u>\$3,084,231</u>	

Because of the substantial minority interest in the majority of cases, it is not considered desirable to consolidate the accounts of these companies.

The company has held approximately 40% of the issued share capital of Canadian Dyno Mines Limited for several years and increased its holdings to more than 50% during 1964. Mogul's share of

Consolidated Mogul Mines Limited

(Incorporated under the laws of Ontario)

Notes to Financial Statement Continued

earnings of Canadian Dyno for the year ended July 31, 1965 amounted to approximately \$14,400. Earnings of Canadian Dyno for the current and prior years attributable to the shares held by Mogul aggregate approximately \$1,280,400.

No provision has been made in the company's accounts for its proportion of the net loss in 1962 of Irish Copper, amounting to approximately \$1,363,000. This subsidiary's operations commenced in 1959 and were suspended in 1962, and the company's proportion of its accumulated deficit is approximately \$3,166,000. This deficit does not, however, involve the company in any liability, or in any loss other than whatever loss might be realized on sale or liquidation of its share investment, as referred to above.

M.E.M. Consultants Limited, a wholly-owned subsidiary company, was incorporated January 15, 1965. As at July 31, 1965 no audited figures are available.

The other subsidiaries are inactive, and their shares are without quoted market value.

Directors of the company received \$2,050 remuneration during the seven months to July 31, 1965 in their capacity as directors of subsidiary companies.

3. Mining Claims:

33 mining claims (Harvey Hill mine) in Broughton and Leeds Townships, Eastern Townships, Quebec, acquired in 1955 for cash.....	\$ 96,740
1 mining claim in Joutel Township, Quebec, acquired in 1960 for 10,000 shares of the company's capital stock valued at 90¢ per share and \$5,000 cash.....	14,000
5 mining claims in Parkinson Township, Sault Ste. Marie Mining Division, Ontario, acquired in 1964 for cash..	250
8 mining claims in Villebon Township, County of Abitibi, Quebec, acquired by staking. The company holds an 80% interest in these claims.....	340
A permit to explore and develop minerals on Abitibi Indian Reserve No. 70, Larder Lake Mining Division, Ontario, for a period of 4 years commencing November 1, 1964 at an annual rental of approximately \$10,000.	Nil
	<u>\$111,330</u>

4. Contingent Liabilities:

Guarantee of Loan:

The company has guaranteed repayment to Canadian Dyno Mines Limited of a loan to St. Patrick's Copper Mines Limited of \$175,000 principal amount, and accrued interest thereon which at July 31, 1965 amounted to approximately \$48,125. St. Patrick's is now in receivership and its indebtedness of \$175,000 is past due. To date no call has been made under the guarantee.

Guarantee of Debentures:

The company has guaranteed payment to certain other mining companies of \$1,418,000 principal amount of Consolidated Halliwell Limited 6½% debentures held by them and unpaid interest thereon at May 31, 1970, the date of maturity. Accrued interest on these debentures at July 31, 1965 amounts to \$93,352.

5. Capital Stock:

During the seven months to July 31, 1965, 10,000 shares of the company's capital stock were issued at \$1.06 per share pursuant to an employee option agreement. Under this agreement the employee has the option to purchase a further 20,000 shares of capital stock at \$1.06 per share exercisable in annual amounts of 10,000 shares up to February 1, 1968.

By agreement dated October 20, 1964, the company granted an option to an employee of Mogul of Ireland Limited to purchase a total of 25,000 shares of Consolidated Mogul at \$4.00 per share between August 1, 1965 and August 1, 1970.



CONSOLIDATED MOGUL MINES LIMITED

Financial Statement for the year ended December 31, 1964

Consolidated Mogul Mines Limited

(Incorporated under the laws of Ontario)

Balance Sheet December 31, 1964

Assets

CURRENT ASSETS:

Cash	397,962	
Accounts receivable and accrued interest	262,906	
Income taxes recoverable (note 1)	125,000	
Inventory of supplies, at nominal value	1	785,869

INVESTMENTS (note 2):

Mining and other companies:		
Shares	1,728,889	
Debentures	1,314,826	
Advances	206,075	3,249,790
Advances to Mogul of Ireland Limited		1,163,374
Investment in subsidiaries		4,060,577

BUILDINGS AND EQUIPMENT, at cost 203,381

MINING CLAIMS, at cost (note 3) 110,990

DEFERRED CHARGES:

Exploration and development	1,194,092	
Administration	787,438	1,981,530

\$11,555,511

Auditors' Report

To the Shareholders of
CONSOLIDATED MOGUL MINES LIMITED:

We have examined the balance sheet of Consolidated Mogul Mines Limited as at December 31, 1964 and the statements of income, contributed surplus, deficit and deferred exploration and development for the year ended on that date. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion the accompanying balance sheet and related statements of income, contributed surplus, deficit and deferred exploration and development present fairly the financial position of the company as at December 31, 1964 and the results of its operations for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada,
February 12, 1965.

THORNE, MULHOLLAND, HOWSON & MCPHERSON,
Chartered Accountants.



Liabilities

CURRENT LIABILITIES:

Accounts payable and accrued liabilities	68,987	
Director's loan and accrued interest	<u>57,521</u>	126,508

CONTINGENT LIABILITIES (note 6)

Shareholders' Equity

CAPITAL STOCK (note 4):

Authorized, 15,000,000 shares, par value \$1.00 each		
Issued, 7,254,246 shares	7,254,246	
CONTRIBUTED SURPLUS	<u>7,894,096</u>	
	15,148,342	
DEFICIT	<u>3,719,339</u>	11,429,003

\$11,555,511

Approved on behalf of the Board:

S. A. PERRY, *Director.*
G. D. PATTISON, *Director.*

The accompanying notes are an integral part of this statement.

Consolidated Mogul Mines Limited

(Incorporated under the laws of Ontario)

Notes to Financial Statement

Year ended
December 31,
1964

1. Income Taxes Recoverable:

The company's objections to assessments totaling \$225,827 for the years 1957 to 1960 inclusive were upheld by a decision of the Tax Appeal Board dated February 9, 1965. The deposit of \$125,000 held by the Receiver-General of Canada in connection therewith is recoverable by the company.

2. Investments:

MINING AND OTHER COMPANIES

Valuation of Shares

Shares of mining and other companies consist of both escrowed and free securities, and are recorded at cost less proceeds of disposals or at written down value. Based on the quoted value of free securities, these shares had a combined value at December 31, 1964 of \$2,619,916, of which free securities represented \$2,533,054.

Because in some instances large blocks of shares are involved, market values are not necessarily indicative of amounts that might be realized if the investments were to be sold.

Valuation of Debentures

These consist of \$1,319,000 principal amount of Consolidated Halliwell Limited 6½% debentures, due May 31, 1970 having a book value of \$1,271,958 and interest accrued to December 1, 1964 of \$42,868.

Book value consists of cost less proceeds of disposal. These debentures are without quoted market value because they are not actively traded and their ultimate realizable value is dependent upon the success of the company's mining venture in Haiti.

By agreement dated December 17, 1964 between Consolidated Halliwell Limited and the debentureholders, the latter have approved:

- (1) postponement of the obligation to pay the interest due December 1, 1964 until December 1, 1969, and then at a premium of 10%.
- (2) payment of interest accruing from December 1, 1964 at a fixed rate of 2% with interest on overdue interest at the same rate, and payment of additional interest at 4½% which may be postponed, without interest thereon, to May 31, 1970.
- (3) extension of maturity date of the debentures from May 31, 1965 to May 31, 1970.

Advances to Mogul of Ireland Limited

By an agreement dated October 8, 1962 made between the company and Silvermines Lead & Zinc Company Limited, the company obtained the right and option to explore mining property in County Tipperary, Republic of Ireland, held by Silver-

mines. In fulfilment of certain of the terms of the option, the company has expended \$348,225 on the mining properties and has fulfilled to date all other requirements of the agreement.

To fully exercise the option, the company must undertake and complete the following on or before December 14, 1965:

- (a) Direct Silvermines to transfer to a new company to be incorporated under the laws of Ireland (the operating company) at the expense of the company, all its rights in and to the mining property;
- (b) Cause to be delivered to Silvermines free of cost, 25% of the total number of shares of the operating company that shall from time to time be allotted and issued;
- (c) Cause the operating company to be provided with the necessary funds through such means as the company shall elect (and in accordance with good financial practice) to bring the mining property into production.

On March 5, 1964, the company caused the incorporation of Mogul of Ireland Limited (the operating company) as a private company under the laws of Ireland for the purpose of acquiring the rights in and to and to operate the mining property upon the full exercise of the option.

As at December 31, 1964, the company had advanced to Mogul of Ireland Limited a total of \$1,163,374 for development work and capital costs in connection with the mining operation. Such advances do not include accrued interest, which may ultimately be chargeable at a rate of up to 8% per annum.

SUBSIDIARY COMPANIES

Investments in subsidiaries are as follows:	Net book value	Market value	Minority interest
Canadian Dyno Mines Limited.	859,194	2,131,548	46%
Irish Copper Mines Limited.	3,025,578	997,657	39%
Others, including advances of \$9,405	175,805	Nil	42%
	<u>\$4,060,577</u>	<u>\$3,129,205</u>	

Because of the substantial minority interest in all cases, it is not considered desirable to consolidate the accounts of these companies.

The company has held approximately 40% of the issued share capital of Canadian Dyno Mines Limited for several years and increased its holdings to more than 50% during the current year. Mogul's share of earnings of Canadian Dyno for the year



Notes to Financial Statement Continued

ended July 31, 1964 amounted to approximately \$2,900. Earnings of Canadian Dyno for the current and prior years attributable to the shares held by Mogul aggregate approximately \$1,265,000.

No provision has been made in the company's accounts for its proportion of the net loss in 1962 of Irish Copper, amounting to approximately \$1,363,000. This subsidiary's operations commenced in 1959 and were suspended in 1962, and the company's proportion of its accumulated deficit is approximately \$3,166,000. This deficit does not, however, involve the company in any liability, or in any loss other than whatever loss might be realized on sale or liquidation of its share investment, as referred to above.

The other three subsidiaries are inactive, and their shares are without quoted market value.

Directors of the company received \$4,800 remuneration in 1964 in their capacity as directors of subsidiary companies.

3. Mining Claims:

33 mining claims (Harvey Hill mine) in Broughton and Leeds Townships, Eastern Townships, Quebec, acquired in 1955 for cash.....	96,740
1 mining claim in Joutel Township, Quebec, acquired in 1960 for 10,000 shares of the company's capital stock valued 90¢ per share and \$5,000 cash.....	14,000
5 mining claims in Parkinson Township, Sault Ste. Marie Mining Division, Ontario, acquired in 1964 for cash....	250
A permit to explore and develop minerals on Abitibi Indian Reserve No. 70, Larder Lake Mining Division, Ontario, for a period of 4 years commencing November 1, 1964 at an annual rental of approximately \$10,000.....	Nil
	<u>\$110,990</u>

4. Capital Stock:

Shares Issued

Capital stock was issued during the year for cash as follows:

	No. of shares and par value	Premium
Exercise of stock purchase warrants issued in a prior year as partial consideration for loans received...	375,000	562,500
Pursuant to an underwriting and option agreement and by exercise of employee option.....	410,000	1,200,600
	<u>\$ 785,000</u>	<u>\$1,763,100</u>

Options to Purchase

There is an option outstanding at December 31, 1964 to an employee to purchase 30,000 shares of the company's capital stock at \$1.06 per share, exercisable in annual amounts of 10,000 shares up to February 1, 1968. 10,000 shares were purchased during the year and a further 10,000 shares have been purchased since December 31, 1964.

By agreement dated October 20, 1964, the company granted an option to an employee of Mogul of Ireland Limited to purchase a total of 25,000 shares of Consolidated Mogul at \$4.00 per share between August 15, 1965 and August 1, 1970.

5. Adjustment of Interest Accrued in prior years:

During the year the company negotiated a settlement in respect of interest owing on monies previously borrowed to acquire interest in other mining companies. As a result, interest accrued in prior years of \$928,780 was settled by a cash payment of \$400,000. The balance of \$528,780 has been credited to deficit.

6. Contingent Liabilities:

Guarantee of Loan

The company has guaranteed repayment to Canadian Dyno Mines Limited of a loan to St. Patrick's Copper Mines Limited of \$175,000, principal amount, and accrued interest thereon which at December 31, 1964 amounted to approximately \$42,000. St. Patrick's is now in receivership and its indebtedness of \$175,000 is past due. To date no call has been made under the guarantee.

Guarantee of Debentures

The company has guaranteed payment to certain other mining companies of \$1,418,000 principal amount of Consolidated Halliwell Limited 6½% debentures held by them and unpaid interest thereon at May 31, 1970, the date of maturity. Accrued interest on these debentures at December 31, 1964 amounts to \$53,766.

Consolidated Mogul Mines Limited

(Incorporated under the laws of Ontario)

Statement of Income

Year ended
December 31,
1964

INCOME:

Income from investments	102,785	
Management fees	<u>15,000</u>	117,785

EXPENSES:

Consultants' fees	9,723	
Directors' fees	1,900	
Executive salary and administration fee	24,000	
Interest	20,928	
Legal and audit	25,167	
Moving expense	3,298	
Office salaries, supplies and rent	66,396	
Public relations and reports to shareholders	15,438	
Stock transfer and listing expenses	3,539	
General administration	<u>3,891</u>	<u>174,280</u>

LOSS FOR YEAR		<u>\$ 56,495</u>
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Statement of Contributed Surplus

Year ended
December 31,
1964

Contributed surplus at beginning of year	6,130,996
Premium on shares issued during year (note 4)	1,763,100
CONTRIBUTED SURPLUS AT END OF YEAR	<u>7,894,096</u>

Statement of Deficit

Year ended
December 31,
1964

Deficit at beginning of year		4,157,309
Add:		
Loss for year	56,495	
Loss on sale of mining claims	650	
Equipment written off	4,665	
Investment in power line written off	<u>29,000</u>	90,810
		<u>4,248,119</u>
DEDUCT Adjustment of interest accrued in prior years (note 5) . . .		528,780
DEFICIT AT END OF YEAR		<u>\$3,719,339</u>



Consolidated Mogul Mines Limited

(Incorporated under the laws of Ontario)

Statement of Deferred Exploration and Development

Year ended
December 31,
1964

HARVEY HILL MINE:

Balance at beginning of year		669,901	
Expenditures:			
Insurance	848		
Licenses	1,116		
Watchman's wages and maintenance expenses . . .	3,519		
Workmen's compensation	324	5,807	675,708

SILVERMINES OPTION:

Balance at beginning of year		236,392	
Expenditures:			
Assaying	6,011		
Consulting fees	8,697		
Drilling	77,924		
Equipment	3,255		
Engineering and drafting services	1,241		
Postage, telephone and telegraph	1,162		
Supervision and wages	10,462		
Surveying	735		
Travel and transportation	6,002		
General expenses	4,232	119,721	
		356,113	
Less: Amount recovered from Mogul of Ireland Limited		7,888	
		348,225	
Add: Expenses of incorporation of Mogul of Ireland Limited		8,741	356,966
			1,032,674

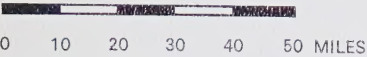
GENERAL:

Balance at beginning of year		98,175	
Expenditures:			
Consulting fees and expenses	23,478		
Engineering and drafting services	12,866		
Government fees, licenses and permits	10,341		
Insurance	1,357		
Supervision and wages	3,378		
Surveying	6,914		
Transportation	2,748		
General expenses	2,161	63,243	161,418

EXPLORATION AND DEVELOPMENT ON MINING CLAIMS IN GOOD STANDING

\$1,194,092

IRELAND



FOYNES TO HAMBURG 1195m.

FOYNES TO ANTWERP 875m.
FOYNES TO ROTTERDAM 850m.

